

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Cassopolis, Michigan

Report of Financial Statements
June 30, 2007

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August 17, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lewis Cass Intermediate School District
Cassopolis, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewis Cass Intermediate School District, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lewis Cass Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lewis Cass Intermediate School District as of June 30, 2007 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2007, on our consideration of Lewis Cass Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through ix and pages 21 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
August 17, 2007

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Lewis Cass Intermediate School District's basic financial statements. The additional information on pages 24 to 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2007

Our discussion and analysis of Lewis Cass Intermediate School District's financial performance, a GASB 34 requirement, provides an overview of the District's financial activities for the fiscal year ended June 30, 2007. This financial model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 Basic Financial Statements-and Management's discussion and Analysis-for State and Local Governments*, issued in June, 2000. This is the fourth year the District has been required to report under the provisions of GASB 34.

Lewis Cass Intermediate School District is located in Cass County and portions of Berrien, St. Joseph, and Van Buren Counties in the State of Michigan. The District serves the four local K-12 districts located within its boundaries.

Generally accepted account principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: ***Fund Financial Statements and District-Wide Financial Statements***.

Fund Financial Statements:

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with the current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The District's ***major*** instructional and instructional support activities are reported in three funds: the General Fund, and two Special Revenue Funds including the Special Education Fund and the Community Service Fund. Additional activities are reported in ***nonmajor*** governmental funds including: the School Lunch (Food Service) Fund and Fiduciary Funds (Trust Fund and Agency Fund).

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2007

In the fund level financial statements purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of long-term debt is recorded as a financial resource. The current year's payments of principal and interest on debt are recorded as expenditures. Future debt obligations are not recorded.

Major Governmental Funds Budgeting and Operating Highlights

General Fund:

The District's expenses and outgoing transfers in the General Fund exceeded revenues and incoming transfers by \$112,963. The resulting decrease in General Fund equity is more than the original budget estimate of a \$19,037 deficit, and less than the final budget amendment of a \$238,400 deficit. Actual revenues of \$2,663,417 were \$67,644 below the original budget and \$25,806 above the final budget amendment.

The actual expenditures and outgoing transfers of \$2,776,379 were \$26,281 above the original budget and \$99,632 below the final budget amendment.

Special Education Fund:

The total special education revenues and incoming transfers of \$6,732,625 were \$397,156 above the original budgeted amount and \$133,361 below the final budget amendment. Total expenses and outgoing transfers of \$6,573,419 were \$213,401 above the original budget and \$180,386 below the final amended budget. A late June retirement system credit mandated by the state of Michigan accounted for nearly \$81,000 in expense reductions.

Special education fund equity increased by \$159,206 compared with the original budgeted amount of a deficit \$24,549 and a final budgeted surplus of \$112,181. The retirement credit that reduced expenses also resulted in a reduction in the current year's draw of federal Flowthrough grant funds, thus reducing revenue accordingly.

Community Service Fund:

Final actual revenues in the Community Service Fund of \$1,083,928 were \$201,240 below the original budget. Final expenses and outgoing transfers of \$1,087,716 were \$197,452 below the original budget. The grants funding the Community Service Fund programs ended effective September 30, 2006 and were not renewed thereafter. The fund was closed out effective June 30, 2007 with a fund balance of zero.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2007

A summary of the major governmental funds' operating results is shown in Table 1.

Table 1
Major Governmental Funds Budget &
Actual Revenues and Expenditures

	Original Budget	Final Budget June 2007	Final Actual 6/30/07	Variance Actual & Original Budget	Variance Actual & Final Budget
General Fund					
Revenues	2,731,061	2,637,611	2,663,417	-2.48%	0.98%
Expenditures	2,750,098	2,876,011	2,776,379	0.96%	-3.46%
Surplus (Deficit)	(19,037)	(238,400)	(112,962)	493.38%	-52.62%
Special Education Fund					
Revenues	6,335,469	6,865,986	6,732,625	6.27%	-1.94%
Expenditures	6,360,018	6,753,805	6,573,419	3.36%	-2.67%
Surplus (Deficit)	(24,549)	112,181	159,206	-748.52%	41.92%
Community Service Fund					
Revenues	1,285,168	1,083,928	1,083,928	-15.66%	0.00%
Expenditures	1,285,168	1,087,716	1,087,716	-15.36%	0.00%
Surplus (Deficit)	0	(3,788)	(3,788)	n.a.	0.00%

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2007

District Wide Financial Statements:

Statement of Net Assets

The District wide financial statements are full accrual statements. They report all of the District's assets and liabilities, both short-term and long-term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the District are reported in the **Statement of Net Assets** of the District wide financial statements. This report presents a point in time "balance sheet" of assets and liabilities, both current and long-term, and the resulting net assets of the District for June 30, 2007 compared with June 30, 2006 (see Table 2).

Table 2
Statement of Net Assets

	June 30, 2006	June 30, 2007
Assets		
Current Assets	4,819,107	4,384,999
Capital Assets	4,926,359	4,756,888
Less accumulated depreciation	(1,710,533)	(1,631,723)
Capital assets, net book value	3,215,826	3,125,165
Total Assets	8,034,933	7,510,164
Liabilities		
Current Liabilities	1,256,880	786,337
Long-term liabilities	377,696	438,402
Total Liabilities	1,634,576	1,224,739
Net Assets		
Capital assets, net book value	3,215,826	3,125,165
Capital assets, related debt	(236,951)	(236,951)
Total capital assets, net of related debt	2,978,875	2,888,214
Restricted	0	0
Unrestricted	3,421,482	3,397,211
Total Net Assets	6,400,357	6,285,425
Total Liabilities and Net Assets	8,034,933	7,510,164

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2007

Statement of Change in Net Assets (Statement of Activities)

The **Statement of Change in Net Assets**, also referred to as the Statement of Activities, indicates the results of operations for the fiscal year. It summarizes the total revenues and expenses, and the resulting change in net assets of the District. Table 3 describes the District wide result of operations for the fiscal years ending June 30, 2006 and June 30, 2007.

Table 3
Statement of Change in Net Assets
(Statement of Activities)

	June 30, 2006	June 30, 2007
Revenues		
Program Revenues		
Charges for Services	709,937	902,377
Federal and State Categorical Grants	7,161,884	3,736,788
General Revenues		
Property Taxes	2,685,163	2,799,536
State Sources	2,796,354	2,373,083
Other	253,665	464,567
Total Revenues	13,607,003	10,276,351
Expenses		
Instruction	870,483	2,171,734
Support Services	7,141,502	5,385,170
Community Services	3,552,785	1,468,485
Food Service	83,087	78,333
Interest and Fees on Long-Term Debt	18,519	10,440
Transfers to Other Districts	1,323,790	1,073,374
Unallocated Depreciation	214,919	203,747
Total Expenses	13,205,085	10,391,283
Increase in Net Assets	401,918	(114,932)
Beginning Net Assets	5,998,439	6,400,357
Ending Net Assets	6,400,357	6,285,425

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2007

Analysis of Financial Position:

As illustrated in Table 3, the District's net assets decreased by \$114,932 during the fiscal year ended June 30, 2007. The overall condition of the combined funds remains extremely strong for the District. The general fund and the special education fund ended the year with a combined net operating income \$89,830 greater than originally budgeted.

The *general fund* realized a \$112,962 decrease in fund equity. The ending fund balance of \$2,288,649 represents approximately 82% of current operating expenses. This compares with a fund balance of 62% of operating expenses as of June 30, 2004. This is a very favorable position that will permit the fund to operate without concern of available cash or the need to borrow during the 2007-2008 fiscal year.

The *special education fund* operated with a \$159,206 surplus during the 2006-2007 fiscal year. The ending fund balance of \$1,314,701 represents approximately 20% of current operating expenses. While there is no educational industry standard for fund equity, it is generally agreed that a fund equity approximating 15% of current operating expenses should provide adequate fiscal protection making this a favorable position. The final bonded debt payment on the Dowagiac, MI building was made during the 2005-2006 fiscal year so there was no debt obligation during 2006-2007.

The *community service* fund operated on a flow-through basis for various grants. The District operated as a subcontractor for Michigan Works and other agencies. The final Michigan Works grants ended September 30, 2006. All programs were closed out and reconciled. With the termination of these programs there will not be a separate Community Service Fund for the 2007-2008 fiscal year.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2007

Capital Assets and Debt Administration:

Capital Assets

Under the provisions of GASB 34, the District reports capital assets and accumulated depreciation. These were first reported for the fiscal year ended June 30, 2004. For all assets acquired prior to July 1, 2003 assets were reported at appraised original cost or, if available, at actual cost. The year of acquisition was identified and accumulated depreciation through June 30, 2003 was calculated. For assets acquired beginning July 1, 2003 assets are recorded at actual cost. The June 30, 2004 through June 30, 2006 financial reports reported the beginning amounts plus acquisitions, less disposals for each fiscal year, and also recognized additional depreciation for those years.

Acquisitions and disposal of District assets for fiscal year 2006-2007 were recorded and net depreciation in the amount of \$203,747 was recognized for the year. Total additions for the year were \$182,942. Assets disposed of or adjusted during the year totaled \$352,413. At the end of fiscal year 2007, the District had \$4.76 million invested in land, buildings, site improvements, vehicles, furnishings and equipment. Of this amount \$1.63 million in depreciation has been taken over the years. As described above, these amounts are recognized in *the District-Wide Financial Statements but not in the Fund Financial Statements*.

Long-Term Debt

Long term debt associated with the capital assets totaled \$236,951 as of June 30, 2007. This debt represents the District's share of the 1998 "Durant" bond issue. Durant bonds are not a direct liability of the District and are retired via payments by the State of Michigan, however for state accounting purposes school districts reflect a portion of the total state debt on their financial reports. The final local building bond payment of \$95,000 was made during the 2005-2006 fiscal year.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2007

Table 4
Capital Assets and Long-Term Debt

	June 30, 2006	June 30, 2007
Capital Assets		
Land	60,000	60,000
Buildings & additions	3,338,137	3,338,137
Site improvements	192,663	254,225
Equipment and furniture	270,148	251,481
Vehicles	1,065,411	853,045
Total Capital Assets	4,926,359	4,756,888
 Total Accumulated Depreciation	 (1,710,533)	 (1,631,722)
 Net Capital Assets	 3,215,826	 3,125,166
 Long-Term Capital Debt		
Building bonds	0	0
Limited obligation Durant bonds	236,951	236,951
Total Long-Term Capital Debt	236,951	236,951
 Total Capital assets Net of Related Debt	 2,978,875	 2,888,215

Economic Factors and Next Year's Budgets:

The economy in the state of Michigan continues to lag behind the national trend toward recovery. While there is currently no state aid act in place, basic state aid for intermediate school district general fund operations is expected to remain level or increase modestly, not enough to match inflationary pressures. The strong fund equity position the District maintains provides the financial base necessary to operate without major concern of overall fiscal deficits. The preliminary 2007-2008 general fund and special education fund budgets indicate a combined deficit of \$238,500 or approximately two and one-half percent of the total \$9.6 million of expenses. This is an acceptable projection given the strength of the District's combined beginning fund balances.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2007

Other significant budgetary factors include the loss of indirect cost revenue previously generated by the Michigan Works programs. This will partially be offset by reduced expenses. During the 2006-2007 fiscal year the District paid out in excess of \$150,000 for unemployment claims, for the most part due to the termination of the Michigan Works grants. This will not be a recurring cost for 2007-2008.

Special Education Fund revenues will be enhanced by more than \$80,000 in additional IDEA Flowthrough funds in 2007-2008. This results from a retirement system credit issued by the state of Michigan in June. It resulted in decreasing expenses, thus the ability to carry over funds from the 2006-2007 grant cycle.

Requests for Information:

This report is designed to provide a general overview of the Lewis Cass Intermediate School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to:

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BASIC FINANCIAL STATEMENTS

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2007

	ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS:		
Cash		\$ 990,016
Investments		2,205,967
Property taxes receivable		4,900
Accounts receivable		1,767
Interest receivable		5,801
Prepaid expenses		71,290
Due from other governmental units		<u>1,105,258</u>
TOTAL CURRENT ASSETS		<u>4,384,999</u>
NONCURRENT ASSETS:		
Capital assets		4,756,888
Less accumulated depreciation		<u>(1,631,723)</u>
TOTAL NONCURRENT ASSETS		<u>3,125,165</u>
TOTAL ASSETS		<u><u>\$ 7,510,164</u></u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:		
Accounts payable		\$ 75,010
Accrued salaries & withholdings		583,111
Accrued retirement payable		35,369
Accrued interest		11,850
Advances		-
Deferred revenue		80,997
Current portion of long term debt		
Current portion of compensated absences		
TOTAL CURRENT LIABILITIES		<u>786,337</u>
NONCURRENT LIABILITIES:		
Noncurrent portion of long term debt		236,951
Noncurrent portion of compensated absences		<u>201,451</u>
TOTAL NONCURRENT LIABILITIES		<u>438,402</u>
NET ASSETS:		
Invested in capital assets, net of related debt		2,888,214
Unrestricted		<u>3,397,211</u>
TOTAL NET ASSETS		<u>6,285,425</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 7,510,164</u></u>

The accompanying notes are an integral part of the financial statements.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 2,340,734	\$ 112,729	\$ 543,418	\$ (1,684,587)
Support services	5,385,170	450,910	2,173,673	(2,760,587)
Community services	1,468,486		989,426	(479,060)
Food services	78,333	12,386	30,271	(35,676)
Transfers to other districts	904,374	429,914		(474,460)
Interest & fees on long-term debt	10,440			(10,440)
Unallocated depreciation	203,747			(203,747)
Total governmental activities	<u>\$ 10,391,284</u>	<u>\$ 1,005,939</u>	<u>\$ 3,736,788</u>	(5,648,557)
General revenues:				
Property taxes, levied for general purposes				2,799,536
State sources				2,373,083
Investment revenue				143,665
Donations				201,440
Miscellaneous				15,901
Total general revenue				<u>5,533,625</u>
Change in net assets				(114,932)
Net assets, beginning of year				<u>6,400,357</u>
Net assets, end of year				<u>\$ 6,285,425</u>

The accompanying notes are an integral part of the financial statements.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

		SPECIAL REVENUE	
	GENERAL FUND	SPECIAL EDUCATION	COMMUNITY SERVICE
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash & cash equivalents	\$ 1,070,001	\$ (87,456)	\$ -
Investments	861,369	1,344,598	-
Accounts receivable	-	66	-
Interest receivable	2,959	2,842	-
Due from other funds	-	-	-
Due from other governments	461,223	644,035	-
Prepaid expenditures	64,997	6,293	-
TOTAL ASSETS	\$ 2,460,549	\$ 1,910,378	\$ -
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ 67,843	\$ 7,166	\$ -
Accrued salaries & withholdings	35,395	541,456	-
Accrued retirement payable	-	34,720	-
Due to other funds	-	-	-
Due to school groups	-	-	-
Advances	-	-	-
Deferred revenue	68,662	12,335	-
TOTAL LIABILITIES	171,900	595,677	-
FUND BALANCE:			
Reserved for donations	-	182,524	-
Unreserved:			
Designated for compensated absences	35,433	166,018	-
Undesignated	2,253,216	966,159	-
TOTAL FUND BALANCE	2,288,649	1,314,701	-
TOTAL LIABILITIES & FUND BALANCE	\$ 2,460,549	\$ 1,910,378	\$ -

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 7,471	\$ 990,016
-	2,205,967
1,701	1,767
-	5,801
-	-
-	1,105,258
-	71,290
<u>\$ 9,172</u>	<u>\$ 4,380,099</u>

\$ 1	\$ 75,010
6,260	583,111
649	35,369
-	-
-	-
-	-
-	80,997
<u>6,910</u>	<u>774,487</u>

	182,524
	201,451
<u>2,262</u>	<u>3,221,637</u>
<u>2,262</u>	<u>3,605,612</u>
<u>\$ 9,172</u>	<u>\$ 4,380,099</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2007

Total Fund Balances - Governmental Funds	\$ 3,605,612
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is	4,756,888
Accumulated depreciation is	(1,631,723)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds and notes payable	(236,951)
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Compensated absences	(201,451)
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Accrued interest is not included as a liability in governmental funds; it is recorded when paid	(11,850)
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Balance of taxes receivable at 6/30/07 less allowance for doubtful accounts	<u>4,900</u>
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Net Assets of Governmental Activities	<u><u>\$ 6,285,425</u></u>
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The accompanying notes are an integral part of the financial statements.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	SPECIAL REVENUE		
	GENERAL FUND	SPECIAL EDUCATION	COMMUNITY SERVICE
REVENUES:			
Local sources	\$ 487,486	\$ 3,318,248	\$ 16
State sources	595,741	1,678,846	94,486
Federal sources	1,026,740	1,690,351	989,426
TOTAL REVENUES	2,109,967	6,687,445	1,083,928
EXPENDITURES:			
Instruction	82,173	2,258,561	-
Supporting services	1,688,674	3,848,032	-
Community services	359,023	112,119	997,344
Food service activities	-	-	-
TOTAL EXPENDITURES	2,129,870	6,218,712	997,344
EXCESS OF REVENUES OVER EXPENDITURES	(19,903)	468,733	86,584
OTHER FINANCING SOURCES (USES):			
Operating transfers in	155,223	2,000	-
Operating transfers out	(2,000)	(94,851)	(90,372)
Transfers from other districts	397,072	32,842	-
Transfer to other districts	(644,510)	(259,864)	-
Sale of fixed assets	1,155	10,347	-
TOTAL OTHER FINANCING SOURCES (USES)	(93,060)	(309,526)	(90,372)
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(112,963)	159,207	(3,788)
FUND BALANCE - BEGINNING OF YEAR	2,401,612	1,155,494	3,788
FUND BALANCE - END OF YEAR	\$ 2,288,649	\$ 1,314,701	\$ -

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 12,669	\$ 3,818,419
4,010	2,373,083
30,271	3,736,788
46,950	9,928,290
	2,340,734
	5,536,706
	1,468,486
78,333	78,333
78,333	9,424,259
(31,383)	504,031
30,000	187,223
	(187,223)
	429,914
	(904,374)
	11,502
30,000	(462,958)
(1,383)	41,073
3,645	3,564,539
\$ 2,262	\$ 3,605,612

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2007

Total net change in fund balances--governmental funds	\$ 41,073
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:	
Depreciation expense	(203,747)
Capital outlay	182,942
Losses on sale of fixed assets are recorded in the statement of activities; in the governmental funds the gross proceeds are recorded:	
Difference between book loss and gross proceeds	(69,855)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable at the beginning of the year	1,410
Accrued interest payable at the end of the year	(11,850)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Accrued revenue at the beginning of the year	(28,400)
Accrued revenue at the end of the year	4,900
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued absences at the beginning of the year	170,046
Accrued absences at the end of the year	<u>(201,451)</u>
Change in net assets of governmental activities	<u>\$ (114,932)</u>

The accompanying notes are an integral part of the financial statements.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
June 30, 2007

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 30,529	\$ 10,409	\$ 40,938
<u>TOTAL ASSETS</u>	<u>\$ 30,529</u>	<u>\$ 10,409</u>	<u>\$ 40,938</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Due to other organizations		\$ 10,409	\$ 10,409
Fund Balance:			
Reserved for programs	\$ 30,529	-	30,529
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 30,529</u>	<u>\$ 10,409</u>	<u>\$ 40,938</u>

The accompanying notes are an integral part of the financial statements.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NONEXPENDABLE TRUST FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007**

REVENUES:	
Interest	<u>\$ 4,332</u>
EXPENDITURES:	
Scholarship	1,399
Administrative expense	<u>463</u>
TOTAL EXPENDITURES	<u>1,862</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	2,470
FUND BALANCE - JULY 1	<u>28,059</u>
FUND BALANCE - JUNE 30	<u><u>\$ 30,529</u></u>

The accompanying notes are an integral part of the financial statements.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Lewis Cass Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in GASB Statements #14 and #39, nor is the District a component unit of another entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has largely been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District utilizes restricted resources to finance their respective, qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

Governmental Funds:

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following **major** governmental funds:

The *General Fund* is the District's primary administration fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The District's **major** special revenue funds consist of the Special Education and Community Service Funds.

The District reports the following **nonmajor** governmental funds:

The *Special Revenue Fund* that is considered **nonmajor** consists of the School Service Fund.

Fiduciary Funds:

Fiduciary funds account for assets held by the district in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the district under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *Private Purpose Trust Fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent for student scholarships. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):

Modified Accrual Method

Governmental funds are used to account for the District's general government activities. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach that provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

For the year ended June 30, 2007, approximately \$153,500 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures or prepaid expenditures as a result of a change in funding by MDE.

OTHER ACCOUNTING POLICIES:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

OTHER ACCOUNTING POLICIES, (Continued):

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. **Property Taxes.**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund	.2062
Special Education Fund	2.0647

3. **Inventories and Prepaid Items.**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory consists of food products. Inventories for commodities are recorded as revenue when utilized. Reported inventories are equally offset by a fund balance reserve that indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. **Short-term Interfund Receivables/Payables.**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds Balance Sheet.

5. **Capital Assets.**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

OTHER ACCOUNTING POLICIES, (Continued):

5. Capital Assets, (Continued).

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as followed:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's policy is to capitalize individual amounts exceeding \$3,000.

6. Compensated Absences.

Accumulated vacation and sick pay amounts which are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the governmental funds using the modified accrual basis of accounting.

It is the policy of the District to allow for accumulation of unused sick days. Upon separation, accumulated sick days become vested after 10 years of accumulated employment and six months notice. They are payable at one-half of the employees current rate of pay for support staff and then the prevailing per diem substitute salary for administrative and professional staff for a maximum of 180 days.

7. Unemployment Insurance.

The District reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amounts paid by the MESA through June 30 are accrued.

8. Deferred Revenues:

The unexpended balance of various federal and/or state categorical grants is carried forward as deferred revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also deferred.

9. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

OTHER ACCOUNTING POLICIES, (Continued):

10. Use of Estimates.

The process of preparing basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP basis) - general and special funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the major funds are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended; Supplemental appropriations were made during the year with the last one approved prior to June 30.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 - CASH AND INVESTMENTS – CREDIT RISK:

As of June 30, 2007, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
MILAF External Investment pool – MIMAX	<u>\$2,205,967</u>	<u>0.0027</u>	AAAm	<u>100%</u>
Total fair value	<u>\$2,205,967</u>			
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The district voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2007, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$1,271,060 of the District's bank balance of \$1,571,060 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department of agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 - CASH AND INVESTMENTS – CREDIT RISK, (Continued):

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trust Fund	\$ 30,529
Cash Agency Fund	10,408
Cash – District wide	990,016
Investments – District wide	<u>2,205,967</u>
	<u><u>\$3,236,920</u></u>

NOTE 4 - CAPITAL ASSETS:

The following is a summary of changes in the District's capital assets:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADJUSTMENTS</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
Assets not being depreciated – land	\$ 60,000				\$ 60,000
Depreciable capital assets:					
Buildings & Improvements	3,530,800		\$ 61,562	-	3,592,362
Equipment	270,148		35,105	\$ 53,772	251,481
Transportation	<u>1,065,411</u>	<u>\$(95,770)</u>	<u>86,275</u>	<u>202,871</u>	<u>853,045</u>
Subtotal depreciable capital assets	4,866,359	(95,770)	182,942	256,643	4,696,888
Accumulated depreciation:					
Buildings & Improvements	(1,017,776)		(72,205)	-	(1,089,981)
Office & Instructional Equipment	(166,610)		(27,814)	53,772	(140,652)
Transportation	<u>(526,147)</u>	<u>47,885</u>	<u>(103,728)</u>	<u>180,900</u>	<u>(401,090)</u>
Total accumulated depreciation	<u>(1,710,533)</u>	<u>47,885</u>	<u>(203,747)</u>	<u>234,672</u>	<u>(1,631,723)</u>
Net depreciable capital assets:	<u>3,155,826</u>	<u>(47,885)</u>	<u>20,805</u>	<u>21,971</u>	<u>3,065,165</u>
Net Capital Assets	<u><u>\$3,215,826</u></u>	<u><u>\$(47,885)</u></u>	<u><u>\$ 20,805</u></u>	<u><u>\$ 21,971</u></u>	<u><u>\$3,125,165</u></u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$203,747. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

OUTSTANDING DEBT:

The following is a summary of long-term obligations for the District for the year ended June 30, 2007:

Limited obligation (Durant) bond, due in annual installments of \$40,591 - \$40,595 through May 2013, with interest of 4.76%.	\$236,951
Accumulated compensated absences	<u>201,451</u>
Total long-term debt	<u><u>\$438,402</u></u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 - LONG-TERM DEBT:

DEBT SERVICE REQUIREMENTS:

The annual requirements to amortize long-term debt outstanding as of June 30, 2007 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	-	-	-
2009	\$ 32,175	\$ 8,424	\$ 40,599
2010	33,705	6,892	40,597
2011	95,331	26,457	121,788
2012	36,990	3,606	40,596
2013	<u>38,750</u>	<u>1,845</u>	<u>40,595</u>
	236,951	<u>\$47,224</u>	284,175
Accumulated Compensated Absences	<u>201,451</u>		<u>201,451</u>
TOTAL	<u>\$438,402</u>		<u>\$485,626</u>

CHANGES IN LONG-TERM DEBT:

Following is a summary of long-term debt transactions of the district for the year ended June 30, 2007:

	<u>ACCUMULATED SICK PAY</u>	<u>GENERAL OBLIGATION</u>
Long-term debt – July 1, 2006	\$170,046	\$236,951
Net increase in accumulated compensated absences	39,165	
Deductions:		
Sick pay paid out	(7,760)	
Durant bonds paid	<u>-</u>	<u>-</u>
Total	<u>\$201,451</u>	<u>\$236,951</u>

Total interest expense amounted to \$10,440 for the year ended June 30, 2007.

NOTE 6 - OPERATING LEASES:

The District has entered into non-cancelable leases for an office in Benton Harbor and three copiers. The following schedule summarizes the minimum future payments for the years ended June 30:

2008	\$20,796
2009	19,596
2010	19,596
2011	19,596
2012	14,697

NOTE 7 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (worker's compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for all claims, except vision and dental; the District is self-insured for vision and dental claims. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

At June 30, 2007, the liability for vision and dental claims that have been incurred through the end of the fiscal year, including both the claims that have been reported as well as those that have not been reported, is insignificant.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006 were 16.34% of payroll through September 30, 2006 and 17.74% effective October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the years ended June 30, 2007, 2006, and 2005, were \$684,813, \$931,010, and \$877,878 respectively, and were equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits that is the responsibility of the State of Michigan.

Other Post-employment Benefits – Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

NOTE 9 – TRANSFERS

Transfers were made between funds to supplement program costs. A summary is as follows:

	<u>Transfers To</u>	<u>Transfers From</u>
General Fund	\$ 2,000	\$ 64,851
		90,372
Special Education Fund	30,000	2,000
	64,851	
Community Service Fund	90,372	
Hot Lunch Fund		<u>30,000</u>
Total	<u>\$187,223</u>	<u>\$187,223</u>

REQUIRED SUPPLEMENTARY INFORMATION

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGET		2007	VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 495,790	\$ 485,726	\$ 483,048	\$ (2,678)
State sources	507,268	596,187	595,741	(446)
Federal sources	1,050,901	1,033,295	1,026,740	(6,555)
Other revenue	-	4,438	4,438	-
TOTAL REVENUE	2,053,959	2,119,646	2,109,967	(9,679)
EXPENDITURES:				
Adult education	93,980	99,450	82,173	17,277
Pupil services	172,352	188,781	187,841	940
Instructional staff services	392,651	567,509	568,300	(791)
General administration	364,410	333,076	320,026	13,050
Business	239,069	305,995	281,347	24,648
Building services	272,353	290,710	283,482	7,228
Transportation	6,700	-	-	-
Personnel services	6,500	3,000	1,290	1,710
Information management	83,680	70,120	46,388	23,732
Community services	474,468	370,412	359,023	11,389
TOTAL EXPENDITURES	2,106,163	2,229,053	2,129,870	99,183
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(52,204)	(109,407)	(19,903)	89,504
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	409,850	155,222	155,223	1
Transfer from other districts	267,252	361,588	397,072	35,484
Transfers to other districts	(641,935)	(644,958)	(644,510)	448
Transfers to other funds	(2,000)	(2,000)	(2,000)	-
Sale of school property	-	1,155	1,155	-
TOTAL OTHER FINANCING SOURCES (USES)	33,167	(128,993)	(93,060)	35,933
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(19,037)	(238,400)	(112,963)	125,437
FUND BALANCE - BEGINNING OF YEAR	2,401,612	2,401,612	2,401,612	-
FUND BALANCE - END OF YEAR	\$ 2,382,575	\$ 2,163,212	\$ 2,288,649	\$ 125,437

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>			<u>VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE:				
Local sources	\$ 2,963,113	\$ 3,364,322	\$ 3,318,248	\$ (46,074)
State sources	1,606,150	1,679,462	1,678,846	(616)
Federal sources	1,729,206	1,777,355	1,690,351	(87,004)
TOTAL REVENUE	6,298,469	6,821,139	6,687,445	(133,694)
EXPENDITURES:				
Instruction	2,263,229	2,373,477	2,258,561	114,916
Pupil services	1,033,478	1,199,500	1,191,207	8,293
Instructional staff services	11,670	10,000	10,048	(48)
Program administration	307,079	318,247	317,891	356
General administration	92,970	96,360	95,490	870
Building administration	81,100	86,250	85,145	1,105
Business	199,688	208,170	206,671	1,499
Building services	274,560	303,547	294,950	8,597
Transportation	1,611,280	1,582,181	1,560,472	21,709
Personnel services	8,500	-	-	-
Information management and EOSD	78,479	86,274	86,158	116
Community services	97,134	115,948	112,119	3,829
TOTAL EXPENDITURES	6,059,167	6,379,954	6,218,712	161,242
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	239,302	441,185	468,733	27,548
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	2,000	2,000	2,000	-
Transfer from other districts	30,000	32,500	32,842	342
Transfers to other funds	(109,851)	(105,081)	(94,851)	10,230
Transfers to other districts	(191,000)	(269,000)	(259,864)	9,136
Sale of fixed assets	5,000	10,347	10,347	-
TOTAL OTHER FINANCING SOURCES SOURCES	(263,851)	(329,234)	(309,526)	19,708
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(24,549)	111,951	159,207	47,256
FUND BALANCE - JULY 1	1,155,494	1,155,494	1,155,494	-
FUND BALANCE - JUNE 30	\$ 1,130,945	\$ 1,267,445	\$ 1,314,701	\$ 47,256

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
COMMUNITY SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	-	\$ 16	\$ 16	-
State sources	-	94,486	94,486	-
Federal sources	\$ 1,285,168	989,426	989,426	-
TOTAL REVENUE	1,285,168	1,083,928	1,083,928	-
EXPENDITURES:				
Benton Harbor youth	250,067	226,050	231,510	\$ (5,460)
Employment services	154,197	148,466	147,612	854
Work first B/C/VB	601,022	490,241	494,228	(3,987)
WIA older youth	44,769	77,940	79,013	(1,073)
WIA berrien	40,667			-
WIA youth	20,285			-
Food stamps	44,062	32,684	28,997	3,687
TANIF	33,333	15,924	15,924	-
MPRI 05-06	-	60	60	-
TOTAL EXPENDITURES	1,188,402	991,365	997,344	(5,979)
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	96,766	92,563	86,584	(5,979)
OTHER FINANCING SOURCES (USES):				
Transfer from other funds				-
Transfer from other districts				-
Transfers to other funds	(96,766)	(96,351)	(90,372)	5,979
Transfers to other districts				-
Sale of school property				-
TOTAL OTHER FINANCING SOURCES (USES)	(96,766)	(96,351)	(90,372)	5,979
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	-	(3,788)	(3,788)	-
FUND BALANCE - JULY 1	3,788	3,788	3,788	-
FUND BALANCE - JUNE 30	\$ 3,788	\$ -	\$ -	\$ -

ADDITIONAL INFORMATION

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2007

	<u>DEBT RETIREMENT</u>	<u>SCHOOL SERVICE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash & cash equivalent		\$ 7,471	\$ 7,471
Accounts receivable		1,701	1,701
Due from other governments		-	-
<u>TOTAL ASSETS</u>	<u>\$ -</u>	<u>\$ 9,172</u>	<u>\$ 9,172</u>
<u>LIABILITIES & FUND BALANCE</u>			
LIABILITIES:			
Accounts payable		\$ 1	\$ 1
Accrued salaries & withholdings		6,260	6,260
Accrued retirement payable		649	649
<u>TOTAL LIABILITIES</u>		<u>6,910</u>	<u>6,910</u>
FUND BALANCES			
Undesignated		2,262	2,262
<u>TOTAL FUND BALANCE</u>		<u>2,262</u>	<u>2,262</u>
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ -</u>	<u>\$ 9,172</u>	<u>\$ 9,172</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>DEBT RETIREMENT</u>	<u>SCHOOL SERVICE FUND</u>	<u>TOTAL</u>
REVENUE:			
Local sources	\$ -	\$ 12,669	\$ 12,669
State sources	-	4,010	4,010
Federal sources	-	30,271	30,271
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	-	46,950	46,950
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Food services		78,333	78,333
Principle redemption	-		-
Interest	-		-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	-	78,333	78,333
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	-	(31,383)	(31,383)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Operating transfers in - other funds	-	30,000	30,000
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	30,000	30,000
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIT) OF REVENUE & OTHER SOURCES OVER EXPENDITURES & OTHER USES	-	(1,383)	(1,383)
	<hr/>	<hr/>	<hr/>
FUND BALANCE - Beginning of Year	-	3,645	3,645
	<hr/>	<hr/>	<hr/>
FUND BALANCE - End of Year	<u>\$ -</u>	<u>\$ 2,262</u>	<u>\$ 2,262</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF REVENUE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES			
Current property tax	\$ 257,649	\$ 256,227	\$ (1,422)
Miscellaneous revenue			
Penalties & interest on delinquent taxes	40	20	(20)
Miscellaneous taxes	3,600	2,175	(1,425)
Earnings on investments & deposits	89,560	89,935	375
Other revenues			
Contracted transportation	-	-	-
Rent	93,177	93,177	-
Miscellaneous	47,293	45,952	(1,341)
Welfare Reform Reimbursement	-	-	-
TOTAL LOCAL SOURCES	<u>491,319</u>	<u>487,486</u>	<u>(3,833)</u>
STATE SOURCES			
General	385,695	385,695	-
State restricted other	159,032	159,030	(2)
Gifted and talented	5,000	5,000	-
Great Parents	18,579	18,135	(444)
Vocational Education	27,881	27,881	-
TOTAL STATE SOURCES	<u>596,187</u>	<u>595,741</u>	<u>(446)</u>
FEDERAL SOURCES			
Medicaid Administrative Outreach	70,316	70,315	(1)
Perkins	708,944	708,944	-
Family Reunification	202,415	195,861	(6,554)
Tech Prep	22,503	22,503	-
Other	29,117	29,117	-
TOTAL FEDERAL SOURCES	<u>1,033,295</u>	<u>1,026,740</u>	<u>(6,555)</u>
OTHER FINANCING SOURCES			
Incoming transfer - Other districts	361,588	397,072	35,484
Incoming transfer - Other funds	155,222	155,223	1
TOTAL OTHER FINANCING SOURCES	<u>516,810</u>	<u>552,295</u>	<u>35,485</u>
SALE OF FIXED ASSETS		<u>1,155</u>	<u>1,155</u>
TOTAL REVENUE & OTHER SOURCES	<u>\$ 2,637,611</u>	<u>\$ 2,663,417</u>	<u>\$ 25,806</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF EXPENDITURES -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Professional salaries	\$35,000	\$33,012	\$ 1,988
Non-Professional salaries	16,000	10,358	5,642
Insurance benefits	-	-	-
Retirement	9,050	5,701	3,349
FICA	3,900	3,317	583
Purchased services	15,000	11,627	3,373
Supplies	20,500	18,158	2,342
TOTAL INSTRUCTION	<u>99,450</u>	<u>82,173</u>	<u>17,277</u>
SUPPORTING SERVICES:			
Instructional Support			
Professional salaries	236,234	241,414	(5,180)
Nonprofessional salaries	31,060	31,041	19
Insurance benefits	27,743	27,890	(147)
Retirement	42,320	44,526	(2,206)
FICA	25,110	25,225	(115)
Purchased services	201,392	194,737	6,655
Supplies	3,650	3,467	183
Total Instructional Support	<u>567,509</u>	<u>568,300</u>	<u>(791)</u>
Student Services			
Professional Salaries	48,145	47,983	162
Nonprofessional salaries	47,627	47,628	(1)
Insurance benefits	49,454	49,117	337
Retirement	16,870	16,844	26
FICA	7,230	7,234	(4)
Purchased services	10,455	10,196	259
Supplies	9,000	8,839	161
Capital Outlay	-	-	-
Total Student Services	<u>188,781</u>	<u>187,841</u>	<u>940</u>
General Administration:			
Professional salaries	108,445	108,130	315
Non-Professional salaries	31,880	31,882	(2)
Insurances	69,411	67,748	1,663
Retirement	33,150	33,106	44
FICA	9,300	9,296	4
Purchased services	64,300	54,076	10,224
Supplies	16,340	15,788	552
Capital Outlay	250	-	250
Other	-	-	-
Total General Administration	<u>333,076</u>	<u>320,026</u>	<u>13,050</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF EXPENDITURES -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Operation & Maintenance:			
Professional salaries	\$ 8,580	\$ 7,233	\$ 1,347
Non-Professional salaries	65,562	65,549	13
Insurance benefits	33,775	33,777	(2)
Retirement	12,680	12,679	1
FICA	7,750	7,709	41
Purchased services	69,050	64,091	4,959
Supplies	26,000	25,261	739
Capital Outlay - including Durant	67,313	67,183	130
Other	-	-	-
Total Operation & Maintenance	<u>290,710</u>	<u>283,482</u>	<u>7,228</u>
Business Services:			
Professional salaries	67,310	67,252	58
Non-Professional salaries	10,250	9,994	256
Insurance benefits	7,075	7,078	(3)
Retirement	13,130	13,066	64
FICA & unemployment	166,816	163,025	3,791
Purchased services	33,250	15,424	17,826
Supplies	6,664	4,386	2,278
Capital Outlay	1,000	575	425
Other	500	547	(47)
Total Business Services	<u>305,995</u>	<u>281,347</u>	<u>24,648</u>
Other Support Services			
Non-Professional salaries	12,340	10,602	1,738
Insurance benefits	200	189	11
Retirement	1,470	1,470	-
FICA	710	708	2
Purchased services	28,400	12,001	16,399
Supplies	20,000	12,857	7,143
Capital outlay	10,000	9,851	149
Total Other Support Services	<u>73,120</u>	<u>47,678</u>	<u>25,442</u>
TOTAL SUPPORTING SERVICES	<u>1,759,191</u>	<u>1,688,674</u>	<u>70,517</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF EXPENDITURES -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES			
Professional salaries	\$ 218,765	\$ 216,744	-
Non-Professional salaries	14,711	14,542	\$ 169
Insurance benefits	37,305	38,889	(1,584)
Retirement	38,706	37,827	879
FICA	17,619	17,969	(350)
Purchased services	35,386	26,879	8,507
Supplies	7,920	6,173	1,747
Capital outlay	-	-	-
TOTAL COMMUNITY SERVICES	<u>370,412</u>	<u>359,023</u>	<u>11,389</u>
OTHER USES - OPERATING TRANSFERS			
Outgoing transfers - other funds	2,000	2,000	-
Operating transfers - other districts	<u>644,958</u>	<u>644,510</u>	<u>448</u>
TOTAL OTHER USES & TRANSFERS	<u>646,958</u>	<u>646,510</u>	<u>448</u>
TOTAL EXPENDITURES & OTHER FINANCING USES	<u>\$ 2,876,011</u>	<u>\$ 2,776,380</u>	<u>\$ 99,631</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF REVENUE - BUDGET & ACTUAL
June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES			
Current Property Tax	\$ 2,580,285	\$ 2,566,809	\$ (13,476)
Miscellaneous Revenue			
Penalties & interest on delinquent taxes	400	206	(194)
Earnings on investments & deposits	53,990	53,447	(543)
Medicaid School Based Services	450,000	421,829	(28,171)
Wraparound Program	52,447	48,632	(3,815)
Donations	201,440	201,440	-
Miscellaneous	25,760	25,885	125
TOTAL LOCAL SOURCES	<u>3,364,322</u>	<u>3,318,248</u>	<u>(46,074)</u>
STATE SOURCES			
Section 51 (a) - Special education	1,648,942	1,650,504	1,562
Mich. Rehab. Expansion grant	10,520	8,980	(1,540)
Section 54 - Deaf and Blind	20,000	19,362	(638)
TOTAL STATE SOURCES	<u>1,679,462</u>	<u>1,678,846</u>	<u>(616)</u>
FEDERAL SOURCES			
IDEA Flowthrough	1,448,639	1,361,530	(87,109)
IDEA Preschool Incentive	50,806	50,806	-
Infant & Toddler Formula Grants	98,410	96,329	(2,081)
Medicaid Transportation Services	6,000	8,001	2,001
State Initiated	50,000	50,000	-
Transition Specialist	60,000	60,000	-
Safe Schools	-	198	198
Wraparound Program	63,500	63,487	(13)
TOTAL FEDERAL SOURCES	<u>1,777,355</u>	<u>1,690,351</u>	<u>(87,004)</u>
OTHER FINANCING SOURCES			
Incoming transfer - Other districts	32,500	32,842	342
Incoming transfer - Other funds	2,000	2,000	-
TOTAL OTHER FINANCING SOURCES	<u>34,500</u>	<u>34,842</u>	<u>342</u>
SALE OF FIXED ASSETS	<u>10,347</u>	<u>10,347</u>	<u>-</u>
TOTAL REVENUE & OTHER SOURCES	<u>\$ 6,865,986</u>	<u>\$ 6,732,634</u>	<u>\$ (133,352)</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL
June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Professional salaries	\$ 646,718	\$ 640,831	\$ 5,887
Non-Professional salaries	579,743	576,572	3,171
Insurance benefits	558,421	553,251	5,170
FICA	93,854	92,649	1,205
Retirement	205,741	122,008	83,733
Purchased services	85,250	82,037	3,213
Supplies	23,750	22,213	1,537
Other	-	-	-
Transfers to other districts	180,000	169,000	11,000
TOTAL INSTRUCTION	<u>2,373,477</u>	<u>2,258,561</u>	<u>114,916</u>
SUPPORTING SERVICES:			
Instructional Support			
Professional salaries	160,977	160,978	(1)
Non-Professional salaries	39,200	39,182	18
Insurance benefits	46,660	46,544	116
FICA	15,760	15,761	(1)
Retirement	34,650	34,477	173
Purchased services	26,900	26,881	19
Supplies	4,100	4,116	(16)
Total Instructional Support	<u>328,247</u>	<u>327,939</u>	<u>308</u>
Student Services			
Professional salaries	668,788	671,591	(2,803)
Non-Professional salaries	21,457	20,383	1,074
Insurance benefits	158,225	158,228	(3)
FICA	49,069	49,098	(29)
Retirement	105,384	104,675	709
Purchased services	161,904	156,999	4,905
Supplies	34,673	13,794	20,879
Capital outlay	-	16,439	(16,439)
Total Student Services	<u>1,199,500</u>	<u>1,191,207</u>	<u>8,293</u>
General Administration			
Professional salaries	31,960	31,963	(3)
Non-Professional salaries	29,620	29,620	-
Insurance benefits	9,750	9,751	(1)
FICA	3,580	3,584	(4)
Retirement	10,750	10,742	8
Purchased services	9,700	8,889	811
Supplies	1,000	941	59
Total General Administration	<u>96,360</u>	<u>95,490</u>	<u>870</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL
June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
School Administration			
Professional salaries	-	-	-
Non-Professional salaries	\$ 36,000	\$ 35,814	\$ 186
Insurance benefits	22,230	22,227	3
FICA	2,750	2,736	14
Retirement	6,270	6,237	33
Purchased services	5,000	3,831	1,169
Supplies	14,000	14,300	(300)
Total School Administration	<u>86,250</u>	<u>85,145</u>	<u>1,105</u>
Operations & Maintenance			
Professional salaries	34,327	28,931	5,396
Non-Professional salaries	41,450	40,577	873
Insurance benefits	23,700	21,877	1,823
FICA	8,700	8,235	465
Retirement	12,100	12,094	6
Purchased services	94,670	92,864	1,806
Supplies	85,400	87,178	(1,778)
Capital outlay	3,200	3,194	6
Total Operations & Maintenance	<u>303,547</u>	<u>294,950</u>	<u>8,597</u>
Transportation			
Professional salaries	42,906	36,164	6,742
Non-professional salaries	724,000	723,476	524
Insurance benefits	302,800	302,795	5
FICA	67,600	67,091	509
Retirement	129,800	128,422	1,378
Purchased services	67,075	64,517	2,558
Supplies	161,500	151,532	9,968
Capital outlay	86,300	86,275	25
Miscellaneous	200	200	-
Total Transportation	<u>1,582,181</u>	<u>1,560,472</u>	<u>21,709</u>
Business Administration			
Professional salaries	77,920	77,920	-
Non-Professional salaries	11,900	10,282	-
Insurance benefits	11,030	11,023	7
FICA	6,860	6,712	148
Retirement	15,760	15,456	304
Purchased services	72,050	72,064	-
Supplies	7,400	7,764	(364)
Miscellaneous	5,250	5,450	(200)
Total Business Administration	<u>208,170</u>	<u>206,671</u>	<u>1,499</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL
June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES (Continued):			
Other Support Services			
Professional salaries	\$ 31,250	\$ 31,251	\$ (1)
Non-Professional salaries	22,685	22,555	130
Insurance benefits	6,960	7,507	(547)
FICA	4,090	4,097	(7)
Retirement	9,145	9,093	52
Purchased services	1,494	1,556	(62)
Supplies	10,650	10,099	551
Other	-	-	-
Total Other Support Services	<u>86,274</u>	<u>86,158</u>	<u>116</u>
TOTAL SUPPORTING SERVICES	<u>3,890,529</u>	<u>3,848,032</u>	<u>42,497</u>
COMMUNITY SERVICES			
Professional salaries	46,366	45,846	520
Insurance benefits	8,413	8,960	(547)
FICA	3,527	3,467	60
Retirement	8,047	7,978	69
Purchased services	49,095	45,119	3,976
Supplies	500	749	(249)
Other	-	-	-
TOTAL COMMUNITY SERVICES	<u>115,948</u>	<u>112,119</u>	<u>3,829</u>
OTHER FINANCING USES - OPERATING TRANSFERS			
Outgoing Transfer:			
Other funds	105,081	94,851	10,230
Other districts	269,000	259,864	9,136
TOTAL OTHER FINANCING USES	<u>374,081</u>	<u>354,715</u>	<u>19,366</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 6,754,035</u>	<u>\$ 6,573,427</u>	<u>\$ 180,608</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
COMMUNITY SERVICE FUND
SCHEDULE OF REVENUE - BUDGET & ACTUAL
June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES			
Miscellaneous	\$ 16	\$ 16	\$ -
TOTAL LOCAL SOURCES	<u>16</u>	<u>16</u>	<u>-</u>
STATE SOURCES			
Work First	373	373	-
PAL	<u>94,113</u>	<u>94,113</u>	<u>-</u>
TOTAL STATE SOURCES	<u>94,486</u>	<u>94,486</u>	<u>-</u>
FEDERAL SOURCES			
Food Stamp	31,646	31,646	-
Re-Employment Services	-	-	-
Youth Works	245,991	245,991	-
Work First	450,236	450,236	-
Employment Services	156,194	156,194	-
Statewide Activity	-	-	-
WIA	105,359	105,359	-
Other Federal Revenue	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FEDERAL SOURCES	<u>989,426</u>	<u>989,426</u>	<u>-</u>
OTHER FINANCING SOURCES			
Incoming transfer - Other funds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 1,083,928</u>	<u>\$ 1,083,928</u>	<u>\$ -</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
COMMUNITY SERVICE FUND
SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL
June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Food Stamp:			
Professional salaries	\$ 19,943	\$ 20,689	\$ (746)
Insurance benefits	2,550	2,553	(3)
FICA	3,397	4,530	(1,133)
Purchased services	6,584	1,016	5,568
Supplies	210	209	1
Other	-	-	-
Total Food Stamp	<u>32,684</u>	<u>28,997</u>	<u>3,687</u>
Work First:			
Professional salaries	233,830	233,830	-
Insurance benefits	29,347	29,347	-
FICA	52,032	52,031	1
Purchased services	166,876	169,091	(2,215)
Supplies	8,156	9,929	(1,773)
Total Work First	<u>490,241</u>	<u>494,228</u>	<u>(3,987)</u>
Employment Services:			
Professional salaries	105,573	105,573	-
Insurance benefits	10,476	9,692	784
FICA	24,495	24,035	460
Purchased services	7,922	8,312	(390)
Supplies	-	-	-
Other	-	-	-
Total Employment Services	<u>148,466</u>	<u>147,612</u>	<u>854</u>
WIA:			
Professional salaries	49,128	48,789	339
Non-Professional salaries	5,147	5,147	-
Insurance benefits	6,794	6,794	-
FICA	11,001	11,001	-
Purchased services	4,956	6,568	(1,612)
Supplies	914	714	200
Other	-	-	-
Total WIA	<u>77,940</u>	<u>79,013</u>	<u>(1,073)</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
COMMUNITY SERVICE FUND
SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL
June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
BH Youth Activity:			
Professional salaries	\$ 46,433	\$ 49,921	\$ (3,488)
Non-Professional salaries	136,939	123,737	13,202
Youth salaries	-	-	-
FICA	23,359	21,322	2,037
Purchased services	4,762	22,867	(18,105)
Supplies	2,557	1,663	894
Other	12,000	12,000	-
Total BH Youth Activity	<u>226,050</u>	<u>231,510</u>	<u>(5,460)</u>
WF Three Rivers:			
Purchased services	60	60	-
Supplies	15,924	15,924	-
Other	-	-	-
Total WF Three Rivers	<u>15,984</u>	<u>15,984</u>	<u>-</u>
TOTAL EXPENDITURES	<u>991,365</u>	<u>997,344</u>	<u>(5,979)</u>
OTHER USES - OPERATING TRANSFERS			
Operating transfers-Other funds	96,351	90,372	5,979
Operating transfers-Other districts	-	-	-
TOTAL EXPENDITURES & OTHER FINANCING USES	<u>\$ 1,087,716</u>	<u>\$ 1,087,716</u>	<u>\$ -</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SCHOOL SERVICE FUND
SCHEDULE OF REVENUES & EXPENDITURES -
BUDGET & ACTUAL
June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES			
Breakfast/Lunch	\$ 11,300	\$ 12,386	\$ 1,086
Sale of fixed assets	-	-	-
Earnings on investments	240	283	43
TOTAL LOCAL SOURCES	<u>11,540</u>	<u>12,669</u>	<u>1,129</u>
STATE SOURCES			
State restricted	<u>4,010</u>	<u>4,010</u>	<u>-</u>
FEDERAL SOURCES			
Federal restricted	24,000	25,489	1,489
Commodity revenue	-	4,782	4,782
TOTAL FEDERAL SOURCES	<u>24,000</u>	<u>30,271</u>	<u>6,271</u>
TOTAL REVENUES	<u>39,550</u>	<u>46,950</u>	<u>7,400</u>
EXPENDITURES - SUPPORTING SERVICES			
Non-Professional salaries	22,750	22,779	(29)
Insurance	14,000	13,951	49
FICA	5,750	5,753	(3)
Purchased services	6,250	3,042	3,208
Supplies	30,800	32,808	(2,008)
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>79,550</u>	<u>78,333</u>	<u>1,217</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	(40,000)	(31,383)	6,183
OTHER FINANCING SOURCES (USES)			
Operating transfers in - Special Education	<u>40,000</u>	<u>30,000</u>	<u>(10,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>40,000</u>	<u>30,000</u>	<u>(10,000)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ (1,383)</u>	<u>\$ (1,383)</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
June 30, 2007

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 30,529	\$ 10,409	\$ 40,938
<u>TOTAL ASSETS</u>	<u>\$ 30,529</u>	<u>\$ 10,409</u>	<u>\$ 40,938</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Due to other organizations		\$ 10,409	\$ 10,409
Fund Balance:			
Reserved for programs	\$ 30,529	-	30,529
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 30,529</u>	<u>\$ 10,409</u>	<u>\$ 40,938</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
ALL AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN
ASSETS & LIABILITIES
June 30, 2007

	<u>BALANCE</u> <u>7/1/2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/2007</u>
<u>STUDENT ACTIVITY FUND</u>				
ASSETS				
Cash & Cash equivalent investments	<u>\$ 194,800</u>	<u>\$ 17,195</u>	<u>\$ 201,586</u>	<u>\$ 10,409</u>
LIABILITIES				
Due to school groups	<u>\$ 194,800</u>	<u>\$ 17,195</u>	<u>\$ 201,586</u>	<u>\$ 10,409</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT - 1998 ISSUE
June 30, 2007

<u>May 15</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL PRINCIPAL & INTEREST</u>
2008	\$ -	\$ -	\$ -
2009	32,175	8,424	40,599
2010	33,705	6,892	40,597
2011	95,331	26,457	121,788
2012	36,990	3,606	40,596
2013	38,750	1,845	40,595
	<u>\$ 236,951</u>	<u>\$ 47,224</u>	<u>\$ 284,175</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid payments as security for this bond and the State Aid payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid payments directly to the Authority's depository.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT

Additional Reports Required By
OMB Circular A-133

Year Ended June 30, 2007

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Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

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Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

August 17, 2007

To the Board of Education
Lewis Cass Intermediate School District
Cassopolis, MI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewis Cass Intermediate School District as of and for the year ended June 30, 2007, which collectively comprise Lewis Cass Intermediate School District's basic financial statements of the District's primary government and have issued our report thereon dated August 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Lewis Cass Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lewis Cass Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lewis Cass Intermediate School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Education
August 17, 2007

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Lewis Cass Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Lewis Cass Intermediate School District in a separate letter dated August 17, 2007.

This report is intended for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

August 17, 2007

To the Board of Education
Lewis Cass Intermediate School District
Cassopolis, MI

COMPLIANCE

We have audited the compliance of Lewis Cass Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Lewis Cass Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lewis Cass Intermediate School District's management. Our responsibility is to express an opinion on Lewis Cass Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lewis Cass Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lewis Cass Intermediate School District's compliance with those requirements.

In our opinion, Lewis Cass Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

To the Board of Education
August 17, 2007

INTERNAL CONTROL OVER COMPLIANCE

The management of Lewis Cass Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lewis Cass Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Lewis Cass Intermediate School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lewis Cass Intermediate School District as of and for the year ended June 30, 2007, and have issued our report thereon dated August 17, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Lewis Cass Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT, CASSOPOLIS, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF EDUCATION: Passed through Michigan Dept. of Education:	84.048	073520/7012-19	\$ 708,944	-	-	\$ 421,961	\$ 708,944	\$ 286,983
			708,944	-	-	421,961	708,944	286,983
Vocational Education - Vocational Basic								
Infant/Toddler	84.181	071340/190	98,410	-	-	85,130	96,329	11,199
			98,410	-	-	85,130	96,329	11,199
State Initiative Competitive State Initiative Competitive	84.173*	070490TS 070480E0SD	60,000	-	-	59,000	60,000	1,000
			50,000	-	-	39,530	50,000	10,470
			110,000	-	-	98,530	110,000	11,470
Title II-Part A Teacher/Principal Training	84.367	705200607	377	-	-	377	377	-
			377	-	-	377	377	-
Handicapped - IDEA Handicapped - IDEA	84.027*	704500607 604500506	1,436,480	-	-	1,016,480	1,255,860	239,380
			1,405,392	\$ 134,722	\$ 1,299,722	223,199	105,670	17,193
			2,841,872	134,722	1,299,722	1,239,679	1,361,530	256,573
Title V-Part A Innovative Programs	84.298	602500506	296	-	-	296	296	-
			296	-	-	296	296	-

* = Cluster

The accompanying notes are an integral part of this schedule.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT, CASSOPOLIS, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF EDUCATION:								
Passed through Michigan Dept. of Education:								
Preschool Incentive	84.173*	070460-0506	\$ 50,806	-	-	\$ 40,756	\$ 50,806	\$ 10,050
Total Passed Through Michigan Department of Education			3,810,705	\$ 134,722	\$ 1,299,722	1,886,729	2,328,282	576,275
Passed through Berrien County ISD:								
Safe and Drug-Free Schools	84.186	062860-0506	198	-	-	198	198	-
Total Passed Through Berrien County ISD			198	-	-	198	198	-
Direct - U.S. Dept of Education:								
Safe Schools/Healthy Students	84.186	S184L020057-05	970,875	18,472	226,590	18,472	-	-
			970,875	18,472	226,590	18,472	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION			4,761,778	153,194	1,526,312	1,905,399	2,328,480	576,275
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through Michigan Dept. of Education:								
National School Breakfast	10.553		9,126			8,481	9,126	645
National School Lunch	10.555		16,363			15,308	16,363	1,055
			25,489	-		23,789	25,489	1,700
Commodity Supplemental Food Program:								
Entitlement commodities	10.550		4,602			4,602	4,602	-
Bonus commodities	10.550		180			180	180	-
			4,782	-		4,782	4,782	-
Passed through Michigan Works:								
Food Stamp Employment & Training	10.561	05-00-0115	115,792	12,036	69,685	43,682	31,646	-
			115,792	12,036	69,685	43,682	31,646	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			146,063	12,036	69,685	72,253	61,917	1,700

The accompanying notes are an integral part of this schedule.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT, CASSOPOLIS, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>AWARD AMOUNT</u>	<u>ACCRUED (DEFERRED) REVENUE 6/30/2006</u>	<u>(MEMO ONLY) PRIOR YEAR EXPENDITURES</u>	<u>CURRENT YEAR RECEIPTS</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>ACCRUED (DEFERRED) REVENUE 6/30/2007</u>
U.S. DEPARTMENT OF LABOR:								
Passed through Berrien Intermediate Schools:								
Tech Prep	84.2434	63540601419	\$ 22,503	-	-	\$ 22,503	\$ 22,503	-
			22,503	-	-	22,503	22,503	-
Passed through Michigan Works:								
Employment Services	17.207	05-00-0393	407,134	\$ 63,424	\$ 376,832	63,424	-	-
		05-00-0393 Ext.	159,000	-	-	156,193	156,193	-
			566,134	63,424	376,832	219,617	156,193	-
Youth Works	17.259	00-00-6175	300,000	22,546	38,546	268,537	245,991	-
			300,000	22,546	38,546	268,537	245,991	-
Statewide Activity	17.259	03-00-8003	14,383	4,837	14,351	4,837	-	-
			14,383	4,837	14,351	4,837	-	-
WIA Title I Youth	17.259	00-00-6175 Ext.	112,153	-	-	105,359	105,359	-
WIA Title I Youth	17.259	00-00-6175	625,931	90,208	564,953	90,208	-	-
			738,084	90,208	564,953	195,567	105,359	-
TOTAL U.S. DEPARTMENT OF LABOR			1,641,104	181,015	994,682	711,061	530,046	-

The accompanying notes are an integral part of this schedule.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT, CASSOPOLIS, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>AWARD AMOUNT</u>	<u>ACCRUED (DEFERRED) REVENUE 6/30/2006</u>	<u>(MEMO ONLY) PRIOR YEAR EXPENDITURES</u>	<u>CURRENT YEAR RECEIPTS</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>ACCRUED (DEFERRED) REVENUE 6/30/2007</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:								
Passed through Michigan Dept. of Human Services:								
Medical Assistance Programs Title XI								
Medicaid Transportation Reimbursement	93.778		\$ 26,670	\$ 42	-	\$ 7,577	\$ 8,001	\$ 466
Medicaid - Administrative Outreach	93.778			(47,815)	-	70,315	70,315	(47,815)
			<u>26,670</u>	<u>(47,773)</u>	<u>-</u>	<u>77,892</u>	<u>78,316</u>	<u>(47,349)</u>
Passed through Michigan Works:								
Workfirst DHS	93.558	02-00-2687	100,000		\$ 84,076	15,924	15,924	-
Workfirst	93.558	03-00-2804	1,723,077	102,039	1,235,143	536,351	434,312	-
			<u>1,823,077</u>	<u>102,039</u>	<u>1,319,219</u>	<u>552,276</u>	<u>450,236</u>	<u>-</u>
Passed through Michigan DHS:								
Wraparound Program	93.556	WRAP05-14001-3	63,150	-	-	36,083	47,743	11,660
Wraparound Program	93.556	WRAP05-14001-2	63,150	6,528	47,406	22,272	15,744	-
			<u>126,300</u>	<u>6,528</u>	<u>47,406</u>	<u>58,355</u>	<u>63,487</u>	<u>11,660</u>
Family Reunification								
Family Reunification	93.558	FR04-11001-3	202,053	19,600	135,671	78,180	58,580	-
Family Reunification	93.558	FR04-11001-4	202,053	-	-	101,117	137,282	36,165
Adoptive Family Mentor								
Adoptive Family Mentor	93.558	SFSC05-11001	56,451	8,906	33,967	17,971	9,065	-
Adoptive Family Mentor	93.558	SFSC05-11001-3	56,451	-	-	18,027	18,027	-
Cass Cty. Early Childhood System of Care								
Cass Cty. Early Childhood System of Care	93.558	SFSC07-14002	24,581	-	-	1,352	1,352	-
			<u>541,589</u>	<u>28,506</u>	<u>169,638</u>	<u>216,647</u>	<u>224,306</u>	<u>36,165</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES								
			<u>2,517,636</u>	<u>89,300</u>	<u>1,536,263</u>	<u>905,169</u>	<u>816,345</u>	<u>476</u>
TOTAL FEDERAL ASSISTANCE								
			<u>\$ 9,086,581</u>	<u>\$ 435,545</u>	<u>\$ 4,126,942</u>	<u>\$ 3,593,882</u>	<u>\$ 3,736,788</u>	<u>\$ 578,451</u>

The accompanying notes are an integral part of this schedule.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Provided to Subrecipients
Year Ended June 30, 2007

84.048 Vocational Education Basic Grant 073520/7012-19

Van Buren Intermediate School District	\$ 184,325
Berrien Intermediate School District	389,511
Cassopolis	1,800
Dowagiac	1,228
Edwardsburg	2,897
Marcellus	2,486

\$ 582,247

93.778 Medicaid - Administrative Outreach

Cassopolis	\$ 10,703
Dowagiac	26,274
Edwardsburg	8,714
Marcellus	11,211

\$ 56,902

17.259 Youth Works

Benton Harbor Area Schools	\$ 12,000
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\$ 12,000

84.173 Transition Grant 070490/TS

Dowagiac	\$ 160
Edwardsburg	677

\$ 837

The accompanying notes are an integral part of this schedule.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lewis Cass Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Vocational Education – Basic Grants To States, CFDA 84.048, Special Education IDEA, CFDA 84.027, and Special Education Preschool, CFDA 84.173A Cluster were audited as major programs and represent 56.77% of expenditures.
2. The threshold for distinguishing Type A and B programs was \$300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.
5. The amounts reported on the Receipt Entitlement Balance Report agree with this schedule for USDA donated food commodities.

NOTE 3 – RECONCILIATION OF FEDERAL REVENUE

The current year expenditures on the Schedule of Expenditures of Federal Awards agrees to the federal revenue reported in the financial statements, as follows:

Federal revenue per financial statements	<u>\$3,736,788</u>
Federal expenditures per Schedule of Federal Awards	<u>\$3,736,788</u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) that are not considered to be material weakness? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) that are not considered to be material weakness? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.048	Vocational Education – Basic Grant
84.027A	Special Education IDEA
84.173A	Special Education Preschool

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

The Safe Schools/Healthy Students Program – CFDA 84.186 was completed at June 30, 2006 and as a result there was only one minor request for federal funds for this program. The request was made after the funds were spent. For all programs tested for the year ended June 30, 2007, we noted that funds were not requested until after the District had made the expenditure.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

August 17, 2007

To the Board of Education
Lewis Cass Intermediate School District
Cassopolis, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Lewis Cass Intermediate School District as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the school district's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be control deficiencies or material weaknesses, as defined above.

The following comments relate to certain of the school district's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered control deficiencies or material weaknesses as defined by professional standards.

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008. Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can effect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 – 2009 school year.

Board of Education

August 17, 2007

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We appreciate the opportunity to be of service to the school district. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward each year to continuing our relationship with Lewis Cass Intermediate School District. Should you wish to discuss any item included in this letter further, we would be happy to do so.

This communication is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants